



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL  
PROCUREMENT POLICY

JUN 14 1983

MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: *Donald E. Sowle*  
Donald E. Sowle, Administrator

SUBJECT: Prevention of Wasteful Year-End Spending

The Director of the Office of Management and Budget requested that the Office of Federal Procurement Policy provide guidance on ways to prevent wasteful year-end spending in procurement.

Attachment 1 is an updated checklist for your use in detecting and preventing end-of-year procurement abuse.

OFPP Policy Letter No. 81-1 (Attachment 2) requires each agency to have review procedures for fourth quarter spending, and to establish an advance procurement planning system. The procedures developed by your agency to comply with the Policy Letter are useful management controls to assist in avoiding wasteful year-end spending.

We request that you emphasize to all procurement and program personnel the importance of using the OFPP checklist and of complying with Policy Letter No. 81-1.

I cannot overemphasize that prevention of unneeded or unwise Federal spending is an essential part of our efforts to control waste, fraud and mismanagement and to restore public confidence in the integrity of Government. I ask you to continue to use public funds wisely and to be especially alert to unnecessary, nonessential or inefficient year-end buying during this last quarter of FY 1983.

Attachments

### CHECKLIST FOR PREVENTING WASTEFUL YEAR-END SPENDING

#### A. Standards of Conduct

1. Have employees been advised of the standards of conduct as they apply to wasteful spending and the possible sanctions and penalties?
2. Have employees been apprised of their duty to and the methods of reporting waste and fraud including hotline telephone numbers (attached) and the protections that are available to employees making waste and fraud reports?
3. Contracts or other documents must not be post dated.
4. Procurement actions should not be delegated or assigned to field or base stations, regional or other subordinate offices or other activities of agencies, nor should any other action be taken to avoid proper review, clearance, approvals or other such internal controls.
5. Contracts to former Government employees must be closely reviewed and clearly justified.

#### B. Need Determination

1. Is the request part of a current approved plan?
2. Is the request for more property or services than is needed to meet approved and essential program objectives?
3. Is the request duplicative in whole or in part?
4. Has a lease vs. purchase review been completed if appropriate?
5. Is the modified request for purchase of additional items or services not contained in the original procurement request or contractor proposal? Is this because estimated funding needs were in excess of the funds actually required to meet the funding requirements of the original request? Is it fully justified?

6. Purchases or orders for equipment, supplies, or services should not be approved unless they have been planned in advance or are needed to meet an emergency and comply with agency internal controls.
7. Funds should not be obligated for requirements-type or task contracts in excess of anticipated needs based on projections from prior use and current operating levels.
8. The procurement of consulting and related services and modifications of current consulting and related services contracts must be reviewed for compliance with current controls.
9. Purchases by or orders from the General Services Administration, the Defense Logistics Agency, or other central procurement offices, or off Federal Supply Schedules should not be in excess of current use or inventory requirements. Use and inventory requirement must be validated. Orders should not be placed if delivery cannot be made in time to meet current need or inventory requirements.
10. Procurement actions must be reviewed to ensure that they are essential, the minimum necessary, not superfluous or "gold-plated."
11. To avoid duplication or underutilization and to foster greater economy and efficiency, users should ensure maximum utilization of available inventories and the proper use of all available resources including excess property.
12. Intragovernmental agreements for the common use or loan of equipment, services and facilities should be used when cost effective.
13. Items should not be replaced while they still are usable unless replacement is essential to meet program objectives or substantial cost savings will result. Materials and equipment should be repaired and reused whenever practicable.
14. Renovation, moving or redecorating, should only be done when it is essential to program objectives, required because of lease arrangements or in an emergency to protect the health and safety of employees. In any case, it should only be the minimum necessary.

C. Good Procurement Practice and Accountability

1. Is there time to ensure that normal procurement practices are followed?
2. A cost or price analysis, and a determination that the Government is paying only fair and reasonable prices and will receive all appropriate discounts and credits, should be made for all contracts or modifications.

3. All noncompetitive proposals should be audited or audit information obtained, unless reasonableness of price can be established clearly by other means.
4. Certification of current cost or pricing data should not be used as a substitute for preaward price negotiation.
5. Initiation of procurements in the fourth quarter for award in the fiscal year should generally be limited to small purchases or to emergency unscheduled requirements.

D. Method of Contractor Selection

1. Will a noncompetitive contract be necessary? Is it fully justified? Have plans been made to prevent subsequent noncompetitive contracts?
2. Are grants reviewed to ensure they are the proper vehicle in accordance with the Grant and Cooperative Agreement Act P.L. 95-224 and are not used to avoid procurement procedures?
3. "Unsolicited" proposals should be truly unsolicited and should not be accepted unless they are truly unique or innovative and are for an essential program requirement. Award will only be made after strict compliance with regulations on unsolicited proposals.
4. Procurements should not be divided just to come within small purchase procedures. In accordance with good procurement practices, requests should be consolidated if it would be more cost effective to do so. However, this should not be construed to prohibit breakout of items for small or minority business.
5. Short response times or restrictive requirements must not be used as methods to avoid open competition or as means of "steering" contracts.

E. Use of Existing Contracts

1. If the request is for the exercise of options or the funding of the later years of a multi-year contract, is it fully justified, still necessary? Is the option or later year still reasonably priced?
2. If the requests are purchases off Federal Supply Schedules or orders against basic ordering agreements or requirements-type contracts, are they fully justified as to need, pricing and the method of contracting?
3. If the request is to add funds to an ongoing contract with a Government-Owned/Contractor-Operated facility, a Federal Contract Research Center, or a Federally Funded Research and Development

Center, is the requirement clearly defined, is it fully justified? Are such contracts being used as a means to circumvent procurement requirements? Are subcontract awards being directed by the Federal agency?

4. Funds obligated to cover unpriced items, such as changes, spare parts and data, should not be in excess of current best estimates of need for those items. Additional obligations in excess of the original procurement request must be clearly justified.
5. Funds for letter contracts should not be obligated in excess of that allowed by regulations, nor should letter contracts be used solely as a vehicle to obligate funds that would otherwise lapse.
6. When contracts are modified or supplemental agreements issued to increase the level of effort or procure additional tasks, items or services, the additional requirements must be validated. The subcontracting of substantial parts of such modifications, change orders or tasks may indicate contracts are being used as vehicles to avoid competition.
7. Funds for contractor-operated supply stores or other logistic support-type contracts should not be obligated in excess of current requirements or used as a vehicle to make directed procurements nor should they otherwise be used to avoid agency internal management controls.

**OFFICE OF INSPECTOR GENERAL**

<u>OFFICES</u>	<u>HOTLINE NUMBERS</u>
<b>Department of Agriculture</b> Room 425A Administration Building Washington, D. C. 20250	800-424-9121 202-472-1388
<b>U. S. Agency for International Development</b> AID/IG/II P. O. Box 9664 Rosslyn Station Arlington, Virginia 22209	FTS 235-3528 703-235-3528
<b>Department of Commerce</b> Room 7898-C Main Commerce Washington, D. C. 20230	800-424-5197 202-377-2495
<b>Department of Defense</b> Assistant to the Secretary of Defense for Review and Oversight Room 3E1081 Pentagon Washington, D. C. 20301	800-424-9098 202-693-5080 Autovon 223-5080
<b>Department of Education</b> Room 4022 Switzer Building 330 C Street, S.W. Washington, D. C. 20202	FTS 755-2770 202-755-2770
<b>Department of Energy</b> Room 5B250 1000 Independence Avenue, S.W. Washington, D. C. 20585	FTS 252-4073 202-252-4073
<b>Environmental Protection Agency</b> 401 M Street, S.W. (Code A-109) Washington, D. C. 20460	800-424-4000 202-382-4977
<b>General Services Administration</b> Room 5340 18th and F Streets, N.W. Washington, D. C. 20405	800-424-5210 202-566-1780
<b>Department of Health and Human Services</b> Room 5246 North Building Washington, D. C. 20201	800-368-5779 202-472-4222
<b>Department of Housing and Urban Development</b> Room 8254 451 7th Street, S.W. Washington, D. C. 20410	FTS 472-4200 202-472-4200

<u>OFFICES</u>	<u>HOTLINE NUMBERS</u>
<b>Department of the Interior</b> Interior Building, Room 5342 19th and C Streets, N.W. Washington, D. C. 20240	800-424-5081 202-343-2424
<b>Department of Justice</b> Counsel, Office of Professional Responsibility Room 4306, Main Justice Washington, D. C. 20530	202-633-3365
<b>Department of Labor</b> Room S5513 200 Constitution Avenue, N.W. Washington, D. C. 20210	800-424-5409 202-357-0227
<b>National Aeronautics and Space Administration</b> Room 6075 (Code W) 400 Maryland Avenue, S.W. Washington, D. C. 20546	800-424-9183 202-755-3402
<b>Small Business Administration</b> Room 1018 1441 L Street, N.W. Washington, D. C. 20416	800-368-5855 202-653-7561 FTS-653-7561
<b>Department of State</b> Room 6821 State 2201 C Street, S. W. Washington, D. C. 20520	202-632-3320
<b>Department of Transportation</b> Room 9210 400 7th Street, S.W. Washington, D. C. 20590	800-424-9071 202-755-1855
<b>Department of the Treasury</b> Room 2412 Main Treasury Washington, D. C. 20220	202-566-6900
<b>Veterans Administration</b> Room 1100 McPherson Building 1425 K Street, N.W. Washington, D. C. 20420	800-368-5899 FTS 389-5394 202-634-2006

**OTHER AGENCY HOTLINE NUMBERS**

**General Accounting Office**

800-424-5454  
202-633-6987

**Office of Personnel Management**

FTS 634-4423  
202-634-4423





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AUG 13 1981

POLICY LETTER 81-1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Procurement Procedures, Advance Procurement Planning, and  
Review of End-of-Year Purchases

It is the responsibility of the head of each agency to assure efficient and economical procurement. Consistent with that responsibility is an obligation to reduce wasteful practices resulting from hurried or unnecessary end-of-year procurement. In carrying out these responsibilities, the Head of each Executive Department or Establishment shall establish the following management controls:

1. Procurement procedures providing lead time and cut-off dates. Each agency shall develop procedures that allow sufficient lead time to prepare solicitations, obtain and evaluate bids or proposals, audit, negotiate, and make contract awards in an orderly manner. The procedures shall specify the lead time required and establish firm cut-off dates for submission to procurement offices of requests for contract action to be completed by the end of a fiscal year. The lead times and cut-off dates may vary with the type of contract action and dollar thresholds. Exceptions to the lead time and cut-off date procedures should be kept to a minimum and approved only under extraordinary circumstances.
2. Advance Procurement Planning. Agencies shall issue procedures that require an Advance Procurement Planning System (APP) for each activity. The procedures shall include:
  - Establishment of a specific threshold above which procurements are to be considered major;
  - Development and maintenance of an advance procurement plan to cover major procurement requirements and other requirements with high waste vulnerability, such as consulting services, certain equipment, periodicals, pamphlets, or audiovisual products. The plan should be developed well in advance of the fiscal year in which the acquisition will be made;

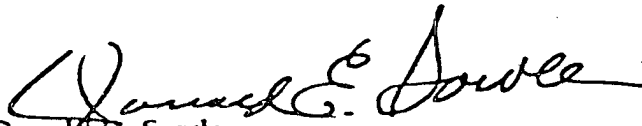
- Flexibility to allow revisions to the plan, but only to reflect budget changes, emergencies, and changes in program direction;
  - Procurement planning that begins concurrently with the agency budget process;
  - A requirement that needs are specified in a form that permits effective competition and innovation;
  - A means to resolve disagreements between procurement and project offices;
  - Close control of major and high waste vulnerability purchases to assure that they are consistent with the advance procurement plan; and
  - An ongoing program to assess the appropriateness of the methods used to satisfy needs, including cost effectiveness, whether gold-plating will result, and life cycle costing, where appropriate.
3. Review procedures for the last quarter spending. Each agency shall develop review procedures that require: (a) close control of purchases made in the last quarter to assure that they are consistent with the advance procurement plan, (b) reevaluation of the need for purchases made in the last quarter, (c) good procurement practice and accountability to assure that contracts are awarded only if prices are reasonable, and (d) award of contracts on the basis of competition unless award on some other basis is significantly to the advantage of the agency.
4. Contract Action Log. Each procuring activity shall keep a log of major or high waste vulnerability contract actions.

Within 60 days after the effective date of this letter the head of each agency shall report to OFPP the action taken to implement the provisions of this Policy Letter. The report shall describe the advance procurement planning process, the procedures to require lead time and cut-off dates, the review procedures, and the implementation of the contract log.

For further information with respect to this policy directive, contact Mr. Jack Nadol, Assistant Administrator for Procurement Practices, telephone 395-3455.

EFFECTIVE DATE: This Policy Letter is effective August 28, 1981.

CONCURRENCE: This letter has been concurred in by the Director of OMB.

  
Donald E. Sowle  
Administrator